



The President's Daily Brief

March 26, 1975

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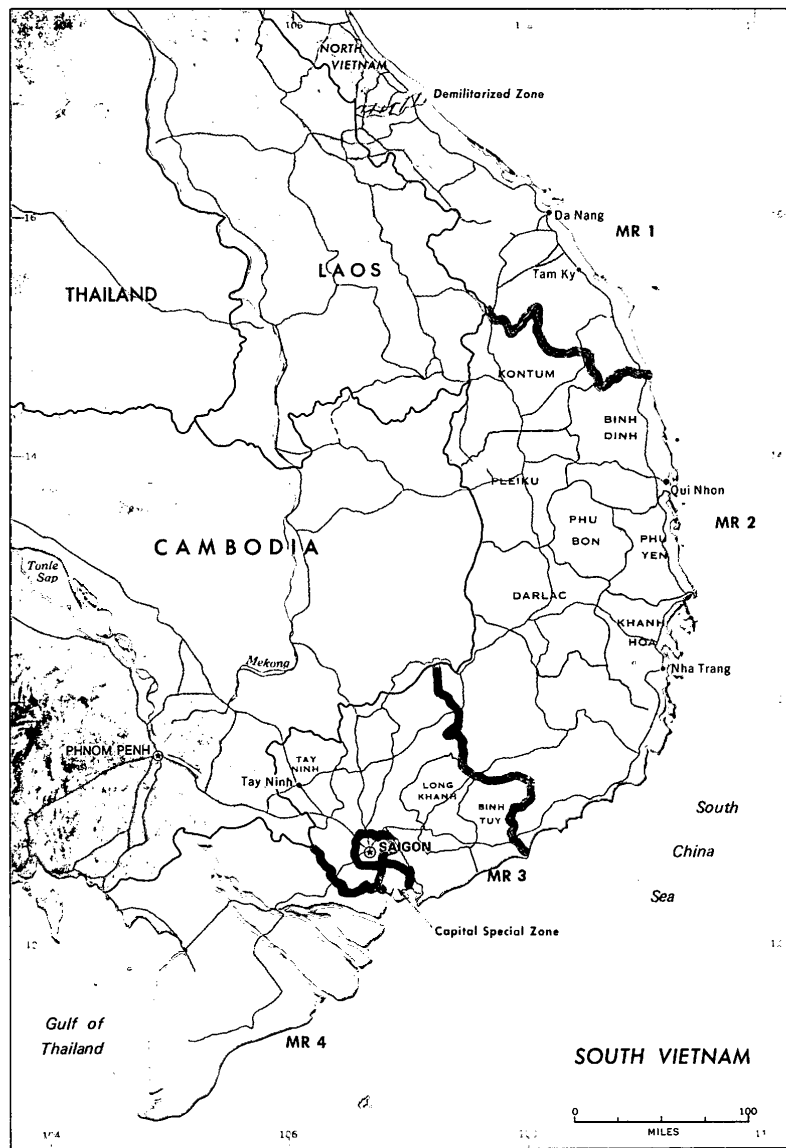
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SOUTH VIETNAM

Communist forces in the northern half of the country now seriously threaten not only Da Nang but important coastal cities farther south, including Qui Nhon and Nha Trang.

Regrouping its own forces has become as much a problem for Saigon as coping with communist pressure. Government commanders are trying to regain control of their units and organize them in defensive positions. Since the evacuation of the highlands began ten days ago, many of the country's territorial forces and some regular units have found themselves facing substantially superior enemy forces and have lost their will to fight.

The North Vietnamese have been reacting with uncharacteristic speed to the rapid pullback and collapse of South Vietnamese forces in the northern half of the country. North Vietnamese commanders have usually been conservative and slow to take advantage of unexpected battlefield developments. The restructuring of the communist military command and control apparatus, which has been going on for a year or so, may have contributed to an improved ability to respond quickly.

Communist commanders in the central provinces moved rapidly to deploy at least two regiments from Darlac to Phu Bon Province to head off the government column trying to reach the coast from Kontum and Pleiku provinces. In a well-coordinated and rapid movement, the communists have also placed at least one artillery and five infantry regiments in Khanh Hoa Province, where they pose a powerful threat to the city of Nha Trang. The North Vietnamese 320th Division, which was in the highlands last week, now has an advance unit in Phu Yen Province. Other communist units from the highlands may also be heading for Binh Dinh Province to reinforce the North Vietnamese 3rd Division in a move against Qui Nhon. South Vietnamese commanders there feel Qui Nhon City is the next major target.

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The communists are having problems in their multiple drives toward the coastal areas, however. One armored unit, for example [] had to stop on the way to Tam Ky because of lack of fuel. The capture of equipment, ammunition, and fuel abandoned by government forces may alleviate some of these problems.

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The heaviest fighting continues northwest of Saigon, where South Vietnamese forces are holding blocking positions along the roads linking Tay Ninh with the capital.

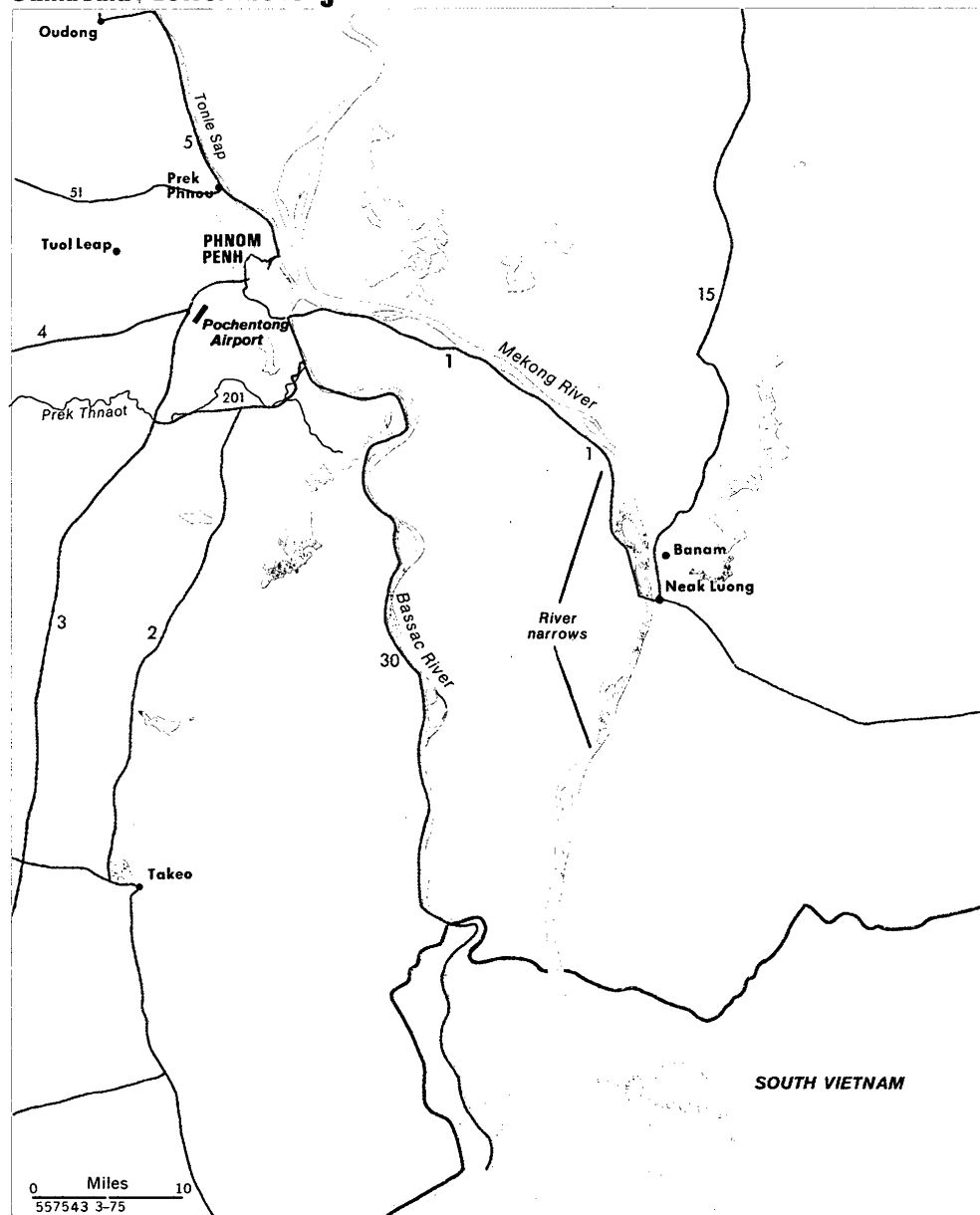
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The government is having considerable difficulty assisting the masses of refugees who clearly fear the communists and who are converging on Da Nang or trying to reach the protection of coastal cities. The government's presence in the rest of Military Region 1 has been removed so quickly and the influx of population into the Da Nang area has been so sudden and so massive that refugee totals there have mounted by the tens of thousands. People who fled originally to what they thought was the safety of Hue, within a day or so fled farther south to Da Nang. Plans are now under way to move as many as possible to Saigon.

Adequate rice stocks exist in Saigon and other urban areas to accommodate such large numbers of refugees, but, with roads closed in many areas and the population constantly shifting, it will be difficult to get food to where it is most needed.

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Cambodia: Lower Mekong



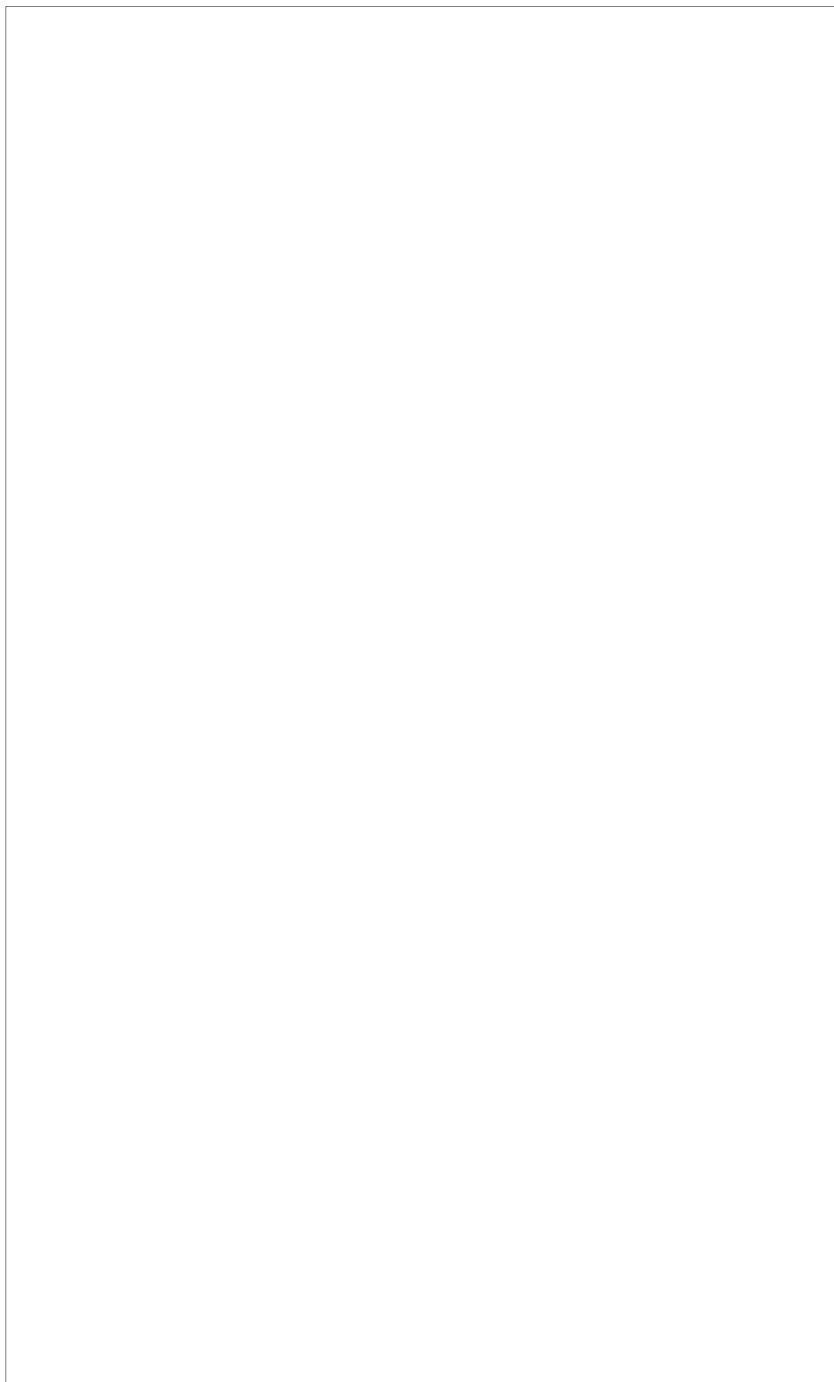
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CAMBODIA

Khmer communist units yesterday again moved within artillery range of Pochentong Airport by forcing government troops from the town of Tuol Leap. Government troops expect to counter-attack early today, but it took them two weeks to retake Tuol Leap when it was first occupied by the communists late last month.

Rocket fire against the airport was light and relatively ineffective yesterday, but 30 rockets hit downtown Phnom Penh. The rockets are being fired from a position on the east bank of the Mekong River which was deserted yesterday by two government battalions.

Farther south on the Mekong, communist ground units yesterday overran three positions near Neak Luong and are threatening to cut in half the government enclave which stretches north to Banam. Recent intercepted messages reveal that the communists are giving top priority to getting ammunition to the Neak Luong battlefront.



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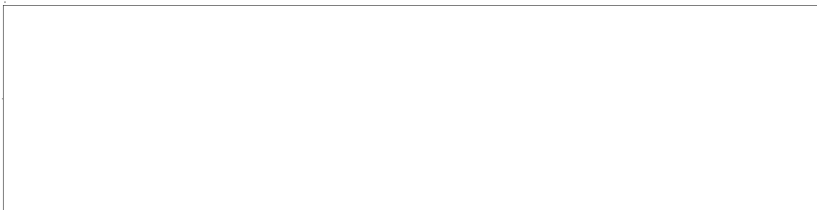
SAUDI ARABIA

The accession of Crown Prince Khalid to the Saudi Arabian throne yesterday smoothly followed arrangements worked out by King Faysal several years ago. Shortly after Faysal was murdered, five senior members of the royal family--including Prince Fahd, who is expected to emerge as the country's strongman--met to ratify the succession agreement, which reportedly provided that Khalid would reign but Fahd would become the effective ruler.

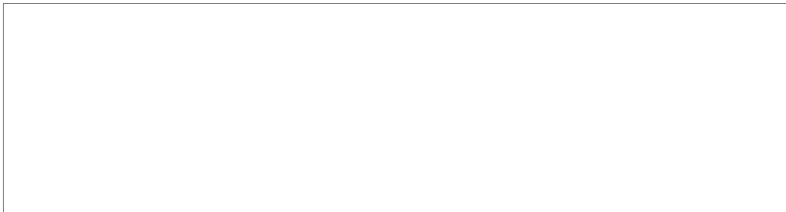
Following his investiture, Khalid promptly named Fahd crown prince.

Jidda and Riyadh are calm. The national guard--the mission of which is to protect the royal family--is on alert, but there have been no unusual troop movements.

There is no information to suggest that the assassin had any accomplices. He is reported to have been under treatment in a mental hospital in Saudi Arabia at one time, and his father is reputedly an alcoholic. A brother was killed about ten years ago by Saudi police during a religious protest against the introduction of television to Saudi Arabia.



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It is not clear whether Fahd has been named prime minister. Some press reports have referred

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to him as "first deputy prime minister," the position Khalid held until he became king. Faysal had been his own prime minister, and Khalid may have followed that pattern.

Faysal had character, style, and accomplishments

[redacted] Fay-
sal had an aura that gained respect, both at home
and abroad. Both Khalid and Fahd are likely to be
more accessible [redacted]
[redacted].

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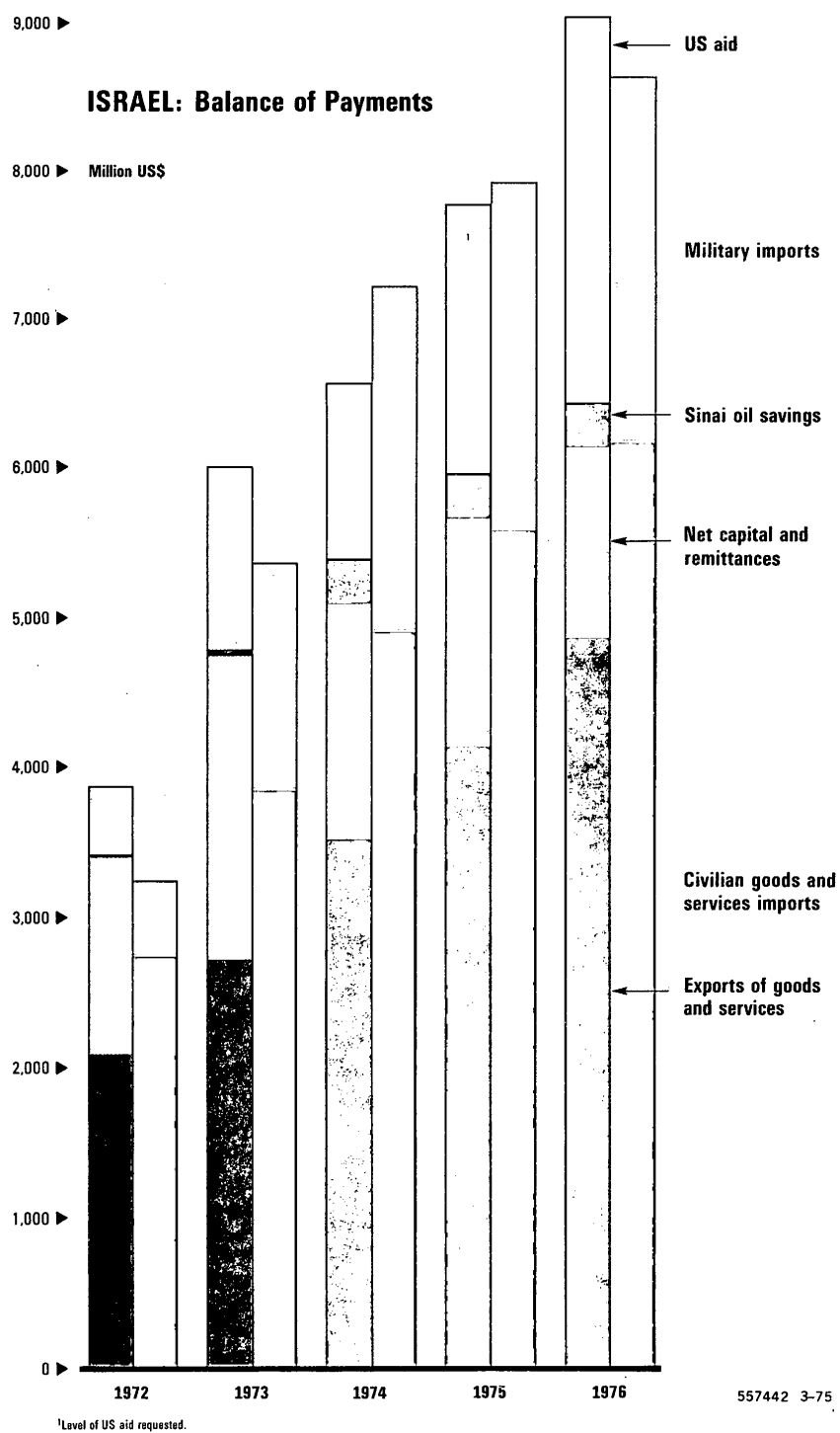
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FOR THE PRESIDENT ONLY**ISRAEL-US**

Israel wants increased assistance from the United States to soften the impact of massive military spending. Tel Aviv has asked for \$1.8 billion in US aid this year--\$1.6 billion already is in train--and wants \$2.6 billion in 1976. The US had provided about \$400 million annually to Israel before the October war.

Military Costs

The bulk of US aid helps pay for military imports, which have jumped four-fold since the 1973 war to \$2.4 billion a year. Direct war losses were more than replaced by the end of 1974. Israeli defense plans call for an average military budget of \$4 billion a year through 1978 to augment and upgrade the military forces.

by the end of 1975 Israel will have increased its inventory of artillery by 85 percent since before the 1973 war, tanks by 50 percent, armored personnel carriers by 25 percent, and combat aircraft by 20 percent.

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Budgeted defense expenditures in real terms have more than doubled in 1974-75 and are slated to jump more than 25 percent next year. The defense establishment is taking 40 percent of the budget and 30 percent of total resources available--gross national product plus the import surplus. Comparable numbers before the October war were 33 percent and 15 percent.

Impact on the Economy

Israel avoided severe belt-tightening in 1974 with increased US aid and a drawdown of foreign exchange reserves. Economic growth of 6 percent in real terms was not far below the rate of recent years. Industrial output--depressed during the war--recovered quickly, and private consumption grew nearly 10 percent.

The major dark spot in the economy was a dip in private investment. Inflation accelerated to an annual rate of 40 percent; its impact was not especially great because most Israeli workers received generous cost-of-living adjustments.

Tel Aviv is now calling for a moderate degree of belt-tightening. Anticipated real economic growth of 3 percent this year will be only one half

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the 1974 rate and only one third the immediate pre-war rate. Both public and private consumption will increase slowly. Overall investment again will contract, reflecting lower outlays for development and reductions of business inventories.

Role of US Aid

We believe that provision of all the aid Israel has requested for 1975-76 would:

--Allow Israel to maintain massive military imports of \$2.5 billion in 1975 and again in 1976.

--Leave room for a moderate but reduced growth in civilian imports.

--Add perhaps \$400 million to Tel Aviv's dwindling foreign exchange reserves in the two years.

Israel could avoid reduction in the pace of economic activity by accelerating civilian imports instead of accumulating reserves. Indeed, we believe Tel Aviv would not hold a rigid line on imports with a prospective foreign payments surplus in the two years combined. Public pressures already have caused the government to back away from recent austerity moves, and a record-breaking budget accompanied by a deficit of at least \$350 million was presented to the Knesset on February 24.

Israel is counting on increased US aid to help underwrite the increased import bill these economic policies will require. Provision of the full \$2.6 billion in aid requested for 1976 would permit Israel to pursue its military import program and achieve fairly rapid economic expansion. Provision of \$2 billion in aid would allow a large military buildup with moderate belt-tightening. Provision of \$1.6 billion--which is equal to the amount now in hand for 1975--would cause Israel to restrict imports.

Significant savings in nonmilitary imports cannot be accomplished without lowering output, employment, and real incomes. The government appears determined to fight any cutback in proposed military imports even though Israel's direct military losses have been replaced and its equipment inventories upgraded.

Israel contracted for \$2 billion worth of US arms in 1974, even though Tel Aviv had only \$1 billion in uncommitted aid to cover new military purchases. Israel has also been shopping in Europe, seeking to place additional large arms contracts.

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EGYPT

President Sadat's stock has gone up appreciably in much of the Arab world following the breakdown in disengagement negotiations. Egyptian spokesmen are capitalizing on Sadat's new popularity to solidify Egypt's position with the Arab states. The effect could be a hardening of Egypt's stance on dealings with Israel.

Arab press commentators have hailed Sadat's steadfastness in refusing to commit Egypt to a non-belligerency pledge with Israel, and [redacted]

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[redacted] congratulatory telegrams have "flooded" in from Arab leaders. The well-wishers have praised Sadat for giving the lie to earlier Arab charges that he would sacrifice broad Arab interests in favor of negotiating an Egyptian settlement with Israel.

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The [redacted] favorable reaction has given Sadat and his advisers a sense of confidence, at least temporarily, to face [redacted]

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[redacted] the critical decisions of war and peace in the coming weeks.

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Egyptian press and radio commentators have reflected this confidence, portraying the breakdown in the talks not as a failure but as a victory for the justice of the Arab cause and as proof of Israeli iniquity.

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The commentators call unanimously for a return to the Geneva conference, emphasizing less that Geneva will provide a forum for negotiations than that it will be another arena for political "confrontation" with Israel. All editorialists raise the threat of force as an alternative the Arabs are ready and able to use if the Israelis "procrastinate" further.

No Egyptian has outdone Foreign Minister Fahmi in emphasizing the firmness of Egypt's commitment to the Arab cause, its leadership of that cause, and its harsh denunciation of the Israeli positions.

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During his emotional speech to the Arab League foreign ministers' meeting on Monday, Fahmi dwelled at length on the need for Arab solidarity in the aftermath of the breakdown in the talks. He concluded his speech with a call on the Arabs to join forces to isolate Israel from "the international community and at the United Nations and international organizations, like South Africa and Rhodesia."

Egypt's effort to cover its negotiating failure with expressions of a new solidarity with the Arabs risks locking it into uncompromising positions. The Arabs are likely soon to expect assertions of leadership on the basis of inflexible words to be given substance by the adoption of inflexible positions.

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PORTUGAL

Portuguese Communists have strengthened their representation in the new government announced in Lisbon yesterday, although the two major non-communist parties are still represented in the cabinet.

The new 21-man cabinet is comprised of 13 civilians and 8 military officers. Four parties are represented: the Communist, Socialist, and Popular Democratic parties and the Portuguese Democratic Movement, a Communist-dominated organization that enters the government for the first time. An independent who is sympathetic to the Democratic Movement was named economic coordination minister, giving the Communists greater influence in economic decisions.

The leaders of the four political parties were named ministers without portfolio. Socialist leader Soares was replaced as foreign minister by Major Melo Antunes, a Marxist who has generally been associated with the moderate wing of the Armed Forces Movement. Antunes will probably give Portuguese foreign policy a stronger Third World flavor, but he is not likely to press for major changes in Portugal's ties to the West.

Despite the demotion of Soares, the moderates came through the shuffle with some pluses. Justice Minister Zenha, a Socialist who was rumored to be on the way out, stays on, and the Popular Democrats are still represented despite a concerted effort by the Communists to have them ousted.

A major loss for the moderates was the removal from the cabinet of Vitor Alves, a moderate member of the Armed Forces Movement who reportedly will be named ambassador to the UN.

Although civilians constitute a majority in the cabinet, military officers hold most key positions, including those of prime minister and foreign minister, as well as the labor, defense, internal administration, public services, and social communications portfolios. Prime Minister Goncalves said recently that the military will stay in the government for another three to five years.

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In a discussion with Ambassador Carlucci yesterday, President Costa Gomes suggested that events had taken Portugal further to the left than he had expected.

Costa Gomes emphasized, however, that Portugal does not plan to reduce its commitment to NATO and that once the African situation is settled, more Portuguese troops will be placed at the disposition of the alliance. He complained about Lisbon's exclusion from access to NATO's nuclear information.

The President blamed the recent violence in Portugal on communists and non-communists alike, and assured Ambassador Carlucci that the government is determined to hold the election next month on schedule.

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NOTE

A power struggle within Somalia's ruling hierarchy may have some effect on Soviet interests in the country.

According to our embassy in Mogadiscio, President Siad allegedly has confined Defense Minister Samantar, his longtime rival, to a military hospital and has arrested 20 of the more radical members of the Office of the Presidency for plotting against him. Samantar and the plotters have strong links to the Soviets and probably revealed their plan to the Soviet embassy. Siad was responsible for granting the Soviets military facilities in Somalia, however, and Moscow would be unlikely to assist in moves against him. Siad, for his part, probably would not do anything to jeopardize Soviet military assistance inasmuch as the Somali military is the mainstay of his regime.

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